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C O N F I D E N T I A L DAR ES SALAAM 001410

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DEPT FOR AF/FO  
ALSO AF/E FOR MBEYZEROV, AF/EPS FOR ABREITER  
PASS TO COMMERCE ITA FOR BERKUL  
PASS TO USTR FOR WJACKSON  
NAIROBI FCS FOR JSULLIVAN

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TAGS: [ECON](#) [BEXP](#) [ETRD](#) [PREL](#) [EINV](#) [BTIO](#) [TZ](#)  
SUBJECT: TANZANIA, CORRUPTION, AND BOEING -- TALKING POINTS  
FOR AF A/S FRAZER

REF: A. A) DAR ES SALAAM 01249  
[B. B\) DAR ES SALAAM 01074](#)

Classified By: Deputy Chief of Mission, D. Purnell Delly for  
reasons 1.4 (a,d).

[1](#)1. (C) Summary. The U.S. Mission here has aggressively advocated on behalf of Boeing in its competition with Airbus for replacement of Air Tanzania,s (ATC) aging fleet. Both the Ambassador and DCM have called personally on the Infrastructure Minister, the Ambassador has called on Air Tanzania,s Chairman, and the DCM has used his relationship with a close advisor to President Kikwete to repeatedly raise the issue. This has corrected the more flagrant intimations of corruption; for example, Kikwete,s advisor instructed ATC to drop its demand that Boeing use an "agent" (a prominent South Asian hotelier) to open doors with the Government.

[1](#)2. (C) However, there remains every indication that this deal was cooked from the outset. Months ago Air TanzaniqL) anJ\*fQ"l#s|9T.ion scandals here) made his own announcement that Airbus had the deal, then denied that was the case when we called on him. There have still been no serious negotiations with Boeing, and every indication that the ink is dry on an Airbus deal -- the latest such indication, hardly a subtle one, being a full page ad in the "New African" for Air Tanzania with its logo prominently displayed on an Airbus 320. The only problem is that Air Tanzania doesn,t own any Airbuses, at least not yet. Boeing is firmly convinced there is neither transparency nor a level playing field. Our concern is that while we, and in fact President Kikwete, are working tirelessly to strengthen the investment climate, poisoning the water with a major U.S. corporation like Boeing vitiates such efforts. We respectfully provide below the background and talking points that Assistant Secretary Frazer has requested for use with the Tanzania Ambassador. End summary.

[1](#)3. (C) Despite aggressive efforts, we have made little headway in convincing the Government of Tanzania (GOT) to allow open and transparent competition for replacement of Air Tanzania's aging fleet of passenger aircraft (Comment: Air Tanzania Company (ATC) is fully owned by the GOT.) When Boeing asked the Embassy to advocate on its behalf through the International Trade Agency (ITA), Robert Faye, Boeing's East African regional representative, expressed concerns immediately about possible corruption. He said in late June he had received the "unusual suggestion" from the CEO of Air Tanzania, David Mattaka, that he work through a wealthy Tanzanian businessman who is the managing director of Indian

Oceans Hotels (ref a). Faye told Air Tanzania that Boeing never works through agents, nor should Tanzania, as it can add tens of millions of dollars to the cost of acquisition in "commissions." The DCM conveyed our concerns to a close advisor of Kikwete at State House, and in subsequent meetings between Boeing and ATC, Mattaka dropped his insistence on an agent (Comment: Agents, commissions, and Swiss bank accounts have figured large in other major corruption scandals here, including Tanzania's purchase from BAE of a sophisticated, \$40 million military air traffic control system being investigated by the UK Parliament.) Faye later told us his contacts here were pointing to rumors that China was tying aid to purchase of Airbuses in order to give business to the joint manufacturing facility being built in China (ref b).

14. (C) In subsequent weeks, Faye met on numerous occasions with Air Tanzania's CEO Mattaka, the Ministry of Infrastructure's Director of Transportation, and the Deputy Minister of Infrastructure, but never received any indication that government or Air Tanzania decision-makers were prepared to enter into serious negotiations. No "Request for Proposal" (RFP) was ever made. Perhaps this should have come as no surprise, because on two separate occasions, once in August and again in early September, ATC CEO Mattaka and then Infrastructure Minister Chenge announced to the media that ATC had decided to lease, and later purchase, Airbus planes to bring its fleet up to "world class standards." While in private meetings with the Ambassador and Deputy Chief of Mission GOT officials denied that any decision had been made, an advertisement then appeared last week in a noted East African trade journal showing Air Tanzania's new "Galloping

Giraffe" logo on a brand new Airbus A320 -- when at present ATC owns only Boeing 737's.

15. (C) Ambassador Green has raised our concerns with President Kikwete (September 12), with CEO Mattaka of Air Tanzania (October 1) and with Minister of Infrastructure (October 11). The DCM has raised the same concerns with the Infrastructure Minister and a close advisor to President Kikwete. They have both conveyed Boeing's concern that Air Tanzania has not followed any systematic process to study and analyze which of the two companies -- Boeing and Airbus -- are offering the better deal for the economic long-term benefit of ATC. Both stressed that Boeing believes that the GOT has either already made a deal or is currently in non-transparent side negotiations with Airbus. Andrew Chenge, the Minister of Infrastructure, is head of the ministry that has oversight and ultimately decision-making responsibility for Air Tanzania. He would be the minister to recommend to the Cabinet which vendor Air Tanzania should select. He is also, at the moment, mired in multiple corruption scandals that have played across the front pages of newspapers here for the past several weeks.

16. (C) We believe strongly that the course this issue is taking may ultimately damage not only Boeing, but our efforts (and President Kikwete's) to strengthen the investment climate. Air Tanzania is looking to expand its fleet of two Boeing 737's to a fleet of about ten planes, with the potential to result in USD 537 million in sales for Boeing (ref b). Done right, the deal will reinforce the impression that Tanzania is a promising place to invest. Done wrongly, it will reinforce impressions that have been building here for the past eighteen months that this is a government without the political will to tackle senior-level corruption.

#### Talking Points

17. (SBU) We suggest the following talking points for use with the Tanzanian ambassador to the U.S.:

-- A large business delegation accompanied President Kikwete to the United States in September 2007 looking to partner with U.S. investors.

-- To attract U.S. investors, a transparent investment climate in Tanzania is essential.

-- We are concerned that Air Tanzania is not creating a level playing field for competition between Boeing and Airbus for the lease and sale of new airplanes.

-- Twice in the last several months major newspapers have quoted ATC CEO David Mattaka and then Infrastructure Minister Andrew Chenge that Tanzania has decided to replace its aging Boeing 737's with Airbuses.

-- This month, a full page ad in an East African trade journal displays the new Air Tanzania logo on an Airbus A320 when currently ATC doesn't own any Airbus aircraft.

-- In private, your government has told Ambassador Green that no decision has been made; yet to date, no serious negotiations have been opened with Boeing, despite repeated attempts to do so by Boeing's representative.

-- It is essential that Air Tanzania create a transparent process and level playing field for both Boeing and Airbus. The lack of such transparency in a major international acquisition like this could seriously damage the investment climate President Kikwete is working so hard to create.

-- I understand that retired U.S. Ambassador Thomas Pickering, now a board member of Boeing, will sit on a panel with President Kikwete at the Corporate Council on Africa's summit in South Africa next month. Boeing representatives are seeking to set up a side bar meeting between them. We support such a meeting, and trust it will clear the air on the way forward.

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